

Enriching Iowa



Annual Report
2012



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CEO's Message and Board



In a word, this past year was rewarding – very rewarding. Many different Iowa entities saw benefits from the Iowa Lottery's record-setting success in fiscal year 2012:

- All Iowans benefited from the \$88.6 million in total returns to the state, which includes \$78.7 million in proceeds and \$9.9 million in withholding from prizes;
- Iowa Lottery players received \$182.4 million in prizes;
- Iowa veterans and their families were helped by the \$2.7 million raised by the lottery for the Iowa Veteran's Trust Fund; and
- local retailers received \$20.1 million in commissions for selling lottery products.

Overall it was one of the most successful years in the lottery's history and we're proud to say Iowans benefited.

While we've consistently set records for sales and profits in recent years, there were some other unusual occurrences that set FY 2012 apart from all the rest. Lottery jackpots were in the news a lot – from a strange Hot Lotto® jackpot situation here in Iowa to the world-record \$656 million Mega Millions® jackpot and a \$241 million Powerball® jackpot claimed in Cedar Rapids. At the same time, players entered our promotions in record numbers and claimed a total of 12 prizes of at least \$1 million.

The past year's events allowed us to showcase one of the cornerstones of our operations: integrity. A multi-million-dollar Hot Lotto jackpot ultimately went unclaimed when a blind trust with ties to the country of Belize relinquished its claim to the money in January. People count on us to provide security and integrity in our games, and we're proud we clearly put those areas first through that process.

In fact, the extra money from that unclaimed Hot Lotto jackpot and an unclaimed Powerball jackpot won in Georgia will allow us to give back around \$2 million to Iowa Lottery players this summer in a "Mystery Millionaire" promotion.

FY 2012 has gone into the books as a jackpot year for the Iowa Lottery and all our state's citizens, since it is the programs that benefit us all that ultimately are supported by lottery proceeds. We look forward to many more rewarding years to come.

— Terry Rich, CEO, and the Members of the Board of the Iowa Lottery Authority

Photos: at top left, Terry Rich, Iowa Lottery CEO; below that, from left and across, Iowa Lottery Authority Board members: Chairperson Mary Junge, Cedar Rapids; Mike Klappholz, Cedar Rapids; Deb Burnight, Sioux City; Herman Richter, Milford; Brad Schroeder, Pleasant Hill (term expired April 30, 2012); Matthew McDermott, West Des Moines (term began May 1, 2012) and Michael Fitzgerald, State Treasurer, Des Moines (ex-officio member).



Big Winners

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Big Winners

Players from across the state won more than \$182 million in prizes during FY 2012 and 12 of those players won prizes of at least \$1 million!



.....\$241 Million Powerball Winners.....6

A group of 20 co-workers from the shipping department at a Cedar Rapids cereal plant stepped forward on June 20, 2012, to claim a \$241 million Powerball® jackpot, the largest lottery prize won to date in Iowa.

The group laughed that they had the worst-kept secret in the state, as word of their win in the June 13 Powerball drawing had spread like wildfire -- first through the Quaker Oats Co. plant in downtown Cedar Rapids where they worked and then nearly as quickly through the community.

Allen Miller of Shellsburg, 61, buys the tickets for the group and said when the group claimed the prize that he had just recently planned to tell a neighbor the good news, only to learn that the neighbor already knew.

“So, yeah, it’s the worst-kept secret, I guess,” he said.

The group, which formed a trust calling itself “The Shipping 20,” chose to receive the jackpot as the lump-sum option of \$160.3 million. Members of The Shipping 20 said they have played Powerball together for years, with each person chipping in \$5 for tickets, but only when the jackpot was \$100 million or higher. Each member of the group - 18 men and two women - each received about \$8 million (\$5.6 million after withholding taxes).

The group’s winning ticket is the seventh overall in Iowa to win Powerball’s big prize.

Members of the group range in age from 35 to 64 and all live in and around Cedar Rapids. All are long-time employees of the Quaker Oats plant and are members of Local 110 of the Retail, Wholesale and Department Store Union/United Food and Commercial Workers International Union. On the job, they ship out boxes of Quaker Oats cereal from the plant. At least 11 members of the group said they planned to retire after winning the prize.



Photos: Top and bottom left, representatives of the Shipping 20 pose with their big check as they claimed their \$241 million prize at Lottery headquarters. Center left, Lottery representatives and the media anxiously await meeting the Powerball winners as they arrive by bus from Cedar Rapids. Top right, the Powerball pays the Iowa Lottery a visit for the big occasion!



Prize and Tax Details about The Shipping 20’s Powerball jackpot

Annuity

Payments Over 30 Years Totaling: \$241 million

Annuity would be paid in graduated payments over 30 years

Federal withholding of 25 percent and state withholding of 5 percent would be made on each payment

Chosen To Receive As Lump-Sum Option

Prize: \$160.3 million

Federal Withholding: \$40.1 million (25 percent)

State Withholding: \$8 million (5 percent)

After-tax prize: \$112.2 million

IOWA



January 15, 2012

marked the debut of \$2 Powerball®, with the revamped game sporting several new features to give players more value.

- **More** chances to win a prize of at least \$1 million cash.
- **Bigger** jackpots now start at \$40 million and the jackpot will be easier to win.
- **Better** overall odds of winning any prize — now 1 in 31.8

Since getting its start in April 1992 in 15 states with jackpots that started at a guaranteed \$2 million, Powerball has grown into one of the world's biggest and most recognizable lottery games. Today it's played in 44 jurisdictions across the nation, with players buying more than \$3 billion annually in Powerball tickets. And the biggest jackpot in the game so far was a \$365 million prize split by eight co-workers at a Nebraska meat-packing plant in February 2006. There have been some other large jackpots recently — \$336 million in February 2012 and \$241 million in June 2012.

But with that success comes a demand for innovation to keep things fresh. The latest changes help give players choices when it comes to lotto games and differentiate Powerball from other games. The Mega Millions® and Hot Lotto® jackpot games and other in-state lotto games are available for those players who prefer the \$1 level of play.

U.S. lottery directors approved the upcoming changes to the game in June 2011 following national research involving 5,000 participants over two years.

Tickets in the enriched game cost \$2 and the Power Play® multiplier feature is still available for an extra \$1 per play. For that extra \$1, players have the chance to win prizes up to \$2 million cash for the match 5 prize. Power Play prizes are now set as specific prize amounts.

Players in the newly designed game still choose their first five numbers from a pool of 59. But the group of numbers in the Powerball pool shrank from 39 to 35, producing better overall odds of winning a prize in the game. The \$2 Powerball game still offers players nine ways to win prizes, with its second prize moving up to \$1 million in cash from the previous \$200,000, and the lowest prize level (for those who match just the Powerball) being elevated to \$4 from \$3. If a player adds the Power Play for an extra \$1, the second prize becomes a \$2 million cash prize.

The Lottery held several events across the state to raise awareness about the new \$2 Powerball game.

A red and white promotional poster for the Iowa Lottery's \$2 Powerball game. It features the Powerball logo at the top, followed by the text "The New \$2 POWERBALL". Below that, it says "Join the Iowa Lottery and KHAK 98.1 here to receive a FREE \$2 Powerball coupon from 4 - 6 p.m. January 17!". Further down, it says "Register for a chance to win \$20 in Powerball coupons!". At the bottom, it says "Plus MORE, BIGGER, BETTER fun with..." and includes logos for "Go" and "98.1 KHAK". The Iowa Lottery logo is at the very bottom.

The New \$2
POWERBALL

Join the Iowa Lottery and
KHAK 98.1 here to receive a
FREE \$2 Powerball coupon
from 4 - 6 p.m. January 17!

Register for a chance to win
\$20 in Powerball coupons!

Plus MORE, BIGGER, BETTER fun with...

Go 98.1 KHAK

IOWA
LOTTERY

Great State Tailgate



Jeff Weigel of New Hampton won the grand prize in the lottery's "Great State Tailgate" promotion

A New Hampton man got one of the biggest birthday gifts of his life on Dec. 9, 2011, when the Iowa Lottery presented him with the towable trailer that was the grand prize in the lottery's "Great State Tailgate" promotion.

Jeff Weigel, who turned 51 that day, rushed out the front door at K&W Motors in New Hampton where he works as lottery staff surprised him delivering his new trailer valued at more than \$22,000. The lottery had drawn Weigel's entry as the promotion's grand-prize winner during the Great State Tailgate drawing on Dec. 8.

"This is cool! I'll put it to good use," Weigel said. "I've got a lot of family and friends. It will draw an attraction no matter where I'm at!"

In addition to Weigel's trailer, five other Iowa Lottery players won prizes of \$1,000 each in the promotion drawing. Lottery players had entered more than 94,000 scratch tickets in the promotion during the entry period from Aug. 29 through Dec. 6.

The tailgate trailer came fully equipped with:

- 42-inch LCD HDTV with a cable receiver and HD auto satellite antennae
- SONY® theater system with iPOD® Direct Connect
- Hitch-mounted tailgating gas grill and 54-qt. cooler on full slide system
- 1000W portable generator
- 30 AMP electrical panel box
- \$2,000 cash for customizing the trailer, travel and spending money



How Players Entered

Any nonwinning "Great State Tailgate" scratch ticket was eligible for entry at ialottery.com for a chance to win the trailer.

Lottery staff took the trailer to 11 football games across the state at all three state universities so people could see it in person and learn how to enter.





The Lottery received a huge response to its latest holiday promotion, called “Super Tech,” a take-off on its “Tech The Halls” holiday promotions held in 2009 and 2010.

Players made a combined total of more than 1.2 million entries in 2009 and 2010 for a chance to win the latest electronics or cash prizes. But this year, Super Tech proved to be another success: the Iowa Lottery received more than 2.1 million entries, almost double the number of entries from the last two promotions combined!

“This just shows us how popular technology-based products are in our world today,” said Iowa Lottery CEO Terry Rich.

Super Tech offered more than 250 prizes of Sony® electronics, including six Super Prize packages worth more than \$4,900 each. Players entered Sept. 26, 2011 through Jan. 23, 2012.

To be eligible to win, Iowa Lottery players entered holiday tickets through their VIP Club account and earned Points For Prizes™ at the same time. There were 10 holiday scratch tickets eligible for entry into the promotion.

Super Tech Prizes

- **50 Sony® portable DVD players**
- **50 Sony® 3D Bloggie® HD cameras**
- **50 Sony® PlayStation® 3 packages (160GB)**
- **50 Sony® Tablet™ S (16GB) prizes**
- **50 Sony® BRAVIA® 32-inch HDTVs**

If players entered one of each of the 10 holiday scratch tickets, they received a Super Prize entry. Each Super Prize package included all of the following electronic prizes plus **\$2,000 cash**:

- **Sony® BRAVIA® 46-inch HDTV**
- **Sony® NEX-C3 digital camera**
- **Sony® Tablet™ S (16GB)**
- **Sony® PlayStation® 3 (160GB)**
- **Sony® 3D Blu-ray Disc™ home theater system**
- **State taxes were paid**

Warehouse Dash

And they're off!

Six lucky Iowa Lottery players from across Iowa won the experience of a lifetime to dash through a warehouse in Chicago for 90 seconds to grab as much top-brand merchandise as they could in the “Warehouse Dash®” promotion.

During the dash, the winners could select items offered in the VIP Club’s online prize store, which includes televisions and other sought-after electronics, housewares, jewelry, camping gear and sporting equipment. Each winner chose a partner to accompany them on their weekend trip and in the dash itself.

To enter, players entered the tickets numbers from their nonwinning “Did I Win?” scratch ticket online through the Lottery’s VIP Club. Entries were received from March 5 through May 21, 2012; two drawings were held, each one for three winners. The Warehouse Dash experiences were held on two separate weekends in Chicago.

The winners and their guests received a two-night stay at the Chicago Marriott® Downtown Magnificent Mile hotel, a welcome dinner at the nearby Fleming’s® steakhouse, transportation to and from the warehouse for the dash, and then were able to have fun on their own on the second night. Each contestant received \$1,500 travel and spending cash. Each Warehouse Dash prize package was valued at an estimated \$20,000, but the total amount was determined by the merchandise each winner grabbed during the dash. The Lottery paid the state and federal taxes for the prize package.



Melissa Kramer of Marshalltown, left, and her sister Mary Fehrmann of Ferguson pose next to the prizes Melissa grabbed from the aisles in the Warehouse Dash promotion.

Winners of the Warehouse Dash

Dash 1 - May 11-13:

- Ruben Cardona of Lowden
- Jan Peterson of Harlan
- Melissa Kramer of Marshalltown

Dash 2 - June 22-23:

- Ruth Dolter of Dubuque
- Joshua Meier of Sioux City
- Donna Zoutte of Knoxville

History



The Iowa Lottery believes that maintaining a social media presence is a necessary part of doing business if you truly want to communicate with your customers and connect with the public. Consumers today don't want to be "talked at" through news releases and blanket statements from companies. They want to have a conversation with a company.

Through these social channels consumers receive validation and recognition. Social media allows companies to go directly to the consumer. You can meet people and start conversations, answer questions, and receive

advice – all important parts of doing business. It also lets you follow what others are saying about you – and their opinions have huge sway in the online world!

The Lottery's External Relations team is responsible for maintaining and updating its many social media platforms. The following is a recap of the current social media presence in use by the Iowa Lottery and their history.

YouTube:

The Lottery produced and posted its first in-house YouTube video in July 2007 and later established its own channel on YouTube. The most-viewed Lottery video is that entitled "Lottery Jackpot: Cash or Annuity?" It addresses the question of whether a jackpot winner should choose cash or annuity – and what those two terms mean. It has received tens of thousands of views since it was posted Aug. 27, 2008. Those who subscribe to the Lottery's channel can receive notifications when new videos are posted, but anyone with access to YouTube can watch the lottery's videos. Players can find winner videos, player mail videos, lottery commercials and more. Along with the media industry, the lottery upgraded its video equipment to high-definition in 2012. The lottery's footage is made available to media outlets around the state and nationwide for use in sharing lottery news. Since the Lottery's YouTube inception, the channel has had more than 125,000 total video views.



Twitter:

The Lottery launched its Twitter page on Sept. 5, 2008. As a fast-paced forum, Twitter provides an instantaneous way for the Lottery to communicate with its players and fans. The lottery's first Facebook/Twitter contest was held Nov. 20, 2008, and today, Twitter contests continue on a monthly basis promoting the newest games and information. The contests offer scratch game prizes. The lottery views Twitter as a valuable mode of communication serving a loyal base of Twitter users. Twitter is seen as more of an ongoing conversation than a place to post information permanently.



Facebook:

The Lottery launched its Facebook page on Sept. 12, 2008. The page provides immediate two-way communication between the Lottery and its players. The Lottery uses Facebook to highlight winners, promotions, events around the state, jackpot alerts, contests, videos and links to other news media covering lottery topics. Facebook also provides an open forum for players to ask lottery-related questions. Facebook contests are held monthly and offer prizes of lotto coupons and lottery merchandise.



Blog:

The Lottery published its first blog entry on Sept. 15, 2008, entitled "Welcome to the Iowa Lottery's Blog!" The next day, the focus turned to an issue that the lottery continues to highlight today: the questions it receives from players. The particular question addressed that day was: "Can a Group Claim a Lottery Prize Together?" Today, the lottery updates its blog about twice a week with entries focusing on everything from winners and promotions to social media contests and results, lottery videos and more. Players can also submit questions and comments to the blog postings. The lifetime page views of the lottery's blog total more than 187,000. The blog receives thousands of page views each month.





Fun Facts

- As of June 29, 2012, the VIP Club had 58,789 members, an increase of 47,462 members from the end of FY 2011. That means membership quadrupled in a year!
- The Iowa Lottery awarded 300 merchandise prizes to VIP Club members in Play It Again drawings in FY 2012.

In 2011, the lottery updated its player loyalty program, called the VIP Club. Players can log on to ialotteryvip.com to take advantage of the many benefits of club membership. And it's free to join.

Here are just some of the advantages of being a member of the VIP Club:

- Players can go to the VIP Club and Play It Again™ by entering ticket numbers from eligible nonwinning scratch games to receive Points For Prizes™.



- With the Points for Prizes program, every qualified nonwinning scratch ticket that members enter is worth points. Players can redeem their points for great prizes like tools, housewares, electronics, even jewelry!
- Online membership is easy.
- VIP Club members receive a monthly newsletter and coupon for a free lotto play.
- Members may Refer A Friend to the VIP Club and receive extra points.
- Players may choose to receive emails with winning lotto numbers and other news.
- There is instant access to a variety of free FUNPLAY™ games. FUNPLAY™ games don't give prizes, but do provide hours of great fun.
- Members may dress up their desktop with custom-made Iowa Lottery wallpaper.
- Members may download envelopes to be ready to give a gift anytime.

The VIP Club is a great opportunity for the Iowa Lottery to interact with its greatest fans and likewise a chance for players to receive extra perks for playing the Lottery's games.

Iowa Veterans Trust Fund



Proceeds to
Fund in FY '12:
\$2,719,494

Total proceeds
to Fund
since 2008:
\$11,269,796

A highlight of the lottery's FY 2012 results is the \$2.7 million it raised for the Iowa Veterans Trust Fund to benefit our state's veterans and their families.

Since July 2008, a portion of lottery proceeds has been dedicated to the Iowa Veterans Trust Fund, where they are used to support our state's veterans and their families. The proceeds from two instant-scratch games and two pull-tab games each year are directed into the Iowa Veterans Trust Fund.

The Iowa Veterans Trust Fund provides assistance to qualified veterans to help pay for expenses such as job training or college tuition assistance; some dental, vision and hearing assistance; and individual or family counseling programs.



The Iowa Lottery was established in 1985 and began ticket sales on Aug. 22 of that year. Since the lottery's inception, its players have won more than \$2.9 billion in prizes while the lottery has raised more than \$1.3 billion for the state programs that benefit all Iowans.

The guiding principles of the Iowa Lottery are:

- Develop and distribute products that are fun and exciting to Iowans;
- Maintain integrity and security in production and delivery of those products while utilizing the highest level of technology available;
- Educate and motivate the public to play Lottery games responsibly;
- Maintain the dignity of the Lottery through truthful, tasteful and informative advertising;
- Develop an effective employee workforce that is professional, knowledgeable, skilled, and offers maximum service and reliability to retailers and players; and
- Maximize net revenues to the state.

Today, lottery proceeds in Iowa have three main purposes: They provide help for a variety of significant projects through the state General Fund, support for veterans and backing for the Vision Iowa program, which was implemented to create tourism destinations and community attractions in the state and build and repair schools.

The Iowa Lottery's Mission:

The Iowa Lottery is a nonprofit authority that operates the state's lottery in an entrepreneurial and business-like manner, accountable to a public Board of Directors, the Governor, the General Assembly and the People of the State while providing entertainment to the public and maximizing revenues for the state.

In 2003 the Legislature recognized that as an entrepreneurial entity, the Iowa Lottery could operate more efficiently and established the Iowa Lottery Authority, a public instrumentality of the state. As a result of that change, combined sales for the Lottery's traditional products have continued to climb in the fiscal years since then.

The Iowa Lottery discusses three core functions in this report: sales; distribution and resource management; and enforcement and investigation.



The Iowa Lottery's headquarters building houses approximately 66 employees in Des Moines.

The Lottery has approximately 112 employees in the following departments: external relations, finance, marketing, operations, sales and security. The Lottery has approximately 66 employees at its headquarters in Des Moines. The Lottery also maintains a warehouse facility in Ankeny and four regional offices in Cedar Rapids, Council Bluffs, Mason City and Storm Lake. There are five board members.

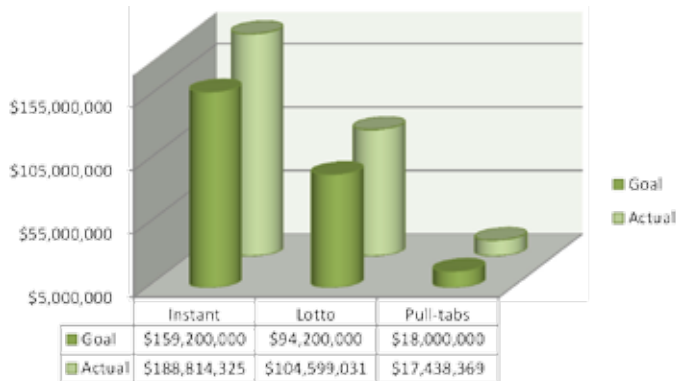
The lottery has three product categories: instant-scratch tickets, pull-tab tickets and lotto games. Lottery products are sold through approximately 2,400 licensed retailers around Iowa.

FY 2012 Goals and Results

Sales

	<u>Goal</u>	<u>Actual</u>
Instant-Scratch Tickets	\$159.2M	\$188.8M
Lotto Tickets	\$94.2M	\$104.6M
Pull-tab Tickets	\$18.0M	\$17.4M

The Legislature, the governor and the public use sales data to generally determine how the lottery is performing. Sales of different products are analyzed by the Lottery on a yearly basis in order to assess progress.



Resource Management

	<u>Goal</u>	<u>Actual</u>
Proceeds to the state (General Fund and Veterans Trust Fund)	\$58.7M	\$78.7M

Total proceeds is the ultimate measure of how well the lottery is operating because it accounts not only for sales, but also for how well resources are being used. The Lottery must ensure its resources are managed wisely in order to achieve maximum benefits for the state.



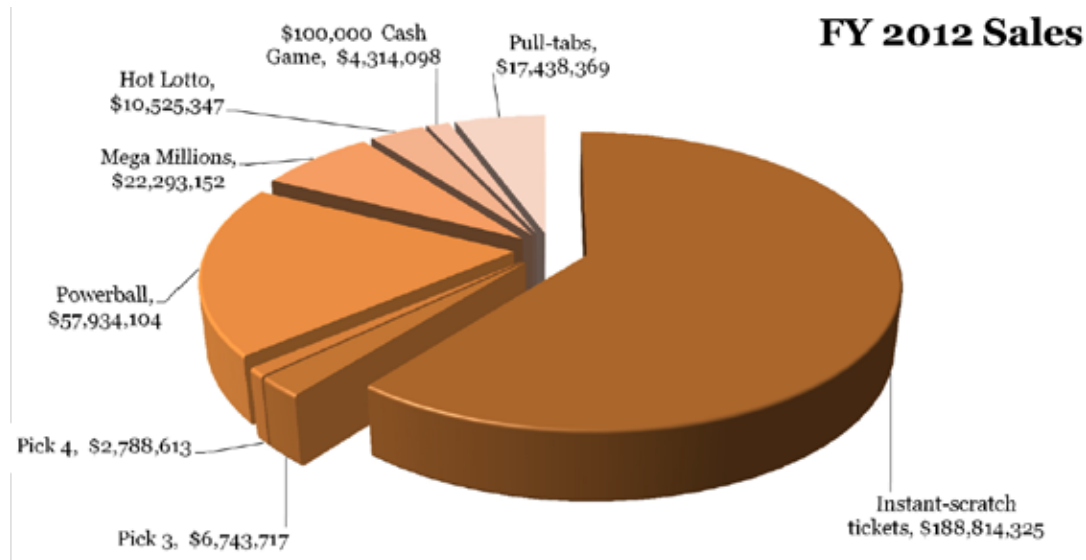
Enforcement and Investigations

Our goal is to protect and maintain the integrity and security of all Iowa Lottery games. To accomplish this goal we engage in several activities. Security personnel provide substantial assistance to state and local law enforcement agencies who are investigating crimes involving the theft of Iowa Lottery products. In addition, Security personnel initiate proactive compliance investigations, research anomalies, respond to complaints, validate high-tier prize payouts, monitor and test our vendors, monitor and audit our technology security measures, monitor the drawings, as well as provide oversight of our retail licensing. All of these efforts are designed to protect our customers and retailers and ensure that everyone has a fair chance of winning.

In FY 2012 Iowa Lottery Investigators conducted 174 compliance investigations and inspections of our retailers and found only minor administrative procedural errors. Investigators completed follow-up on 100% of 361 records of contact received, and provided assistance to law enforcement agencies on 66 investigations that resulted in 22 arrests for theft of lottery products. During FY 2012, 25 warning letters were sent to Lottery retailers regarding the sale of lottery products to persons under the age of 21. One Lottery retailer's license was suspended for seven days for selling lottery products to a person under the age of 21. Lottery Security personnel visited each instant ticket vendor and performed inspections and testing of tickets to ensure proper security measures are performed by our vendors and that technological security measures are used on the instant tickets. Lottery Security personnel monitored all of the on-line game drawings as well as the Lottery promotional drawings to ensure all drawing procedures were conducted in a fair and appropriate manner.

Our goal is to prevent the sale of Lottery tickets to minors and ensure the integrity of the Lottery's products and operation.

	<u>Goal</u>	<u>Actual</u>
Number of complaints filed	1	5
Percent of complaints investigated	100%	100%



Other Important Sales Facts

- Annual lottery sales totaled \$310.9 million, the third year in a row that the lottery has achieved record combined sales from its core products.
- Lottery proceeds to state causes in FY 2012 totaled \$78.7 million, up 15.8 percent from the previous year's total of \$68 million and well ahead of budget for the year. The lottery's combined sales from its core products of lotto, instant-scratch and pull-tab games increased 14.5 percent from the previous year's total, which had been a record at the time.
- Sales of instant-scratch tickets, the first product introduced by the lottery and always one of its top-selling items, rose more than 14 percent to a record \$188.8 million for the year. The lottery's previous record for scratch sales had been set just a year earlier, at \$165.3 million.

Top 10 Lottery Retailers in FY 2012

<i>Retailer Name</i>	<i>Address</i>	<i>City</i>	<i>Net Sales</i>
Hy-Vee	20 Wilson Ave. S.W.	Cedar Rapids	\$985,346.00
Hy-Vee	1843 Johnson Ave. N.W.	Cedar Rapids	\$933,752.00
Hy-Vee	1107 S.E. Army Post Road	Des Moines	\$753,128.00
Quick Shop Foods	405 S. Madison Ave.	Ottumwa	\$675,206.50
Kum & Go	115 N. 22nd St.	Fort Dodge	\$639,326.50
Hy-Vee	4000 University Ave.	Waterloo	\$619,043.50
Hy-Vee	2540 E. Euclid Ave.	Des Moines	\$599,966.50
Dahl's	4343 Merle Hay Road	Des Moines	\$594,452.50
Hawkeye Convenience	2330 Wiley Blvd.	Cedar Rapids	\$582,987.00
Guppy's On The Go	235 Edgewood Road N.W.	Cedar Rapids	\$581,502.50

Sales By County

County	Amount	County	Amount	County	Amount
Adair	\$1,150,536	Floyd	\$2,093,434	Monona	\$596,011
Adams	\$475,316	Franklin	\$1,288,880	Monroe	\$1,332,221
Allamakee	\$1,515,780	Fremont	\$950,773	Montgomery	\$1,321,907
Appanoose	\$1,634,537	Greene	\$953,628	Muscatine	\$5,484,398
Audubon	\$394,321	Grundy	\$758,596	O`Brien	\$1,269,127
Benton	\$2,144,998	Guthrie	\$508,889	Osceola	\$570,897
Black Hawk	\$16,294,341	Hamilton	\$2,763,734	Page	\$1,185,373
Boone	\$2,516,090	Hancock	\$1,130,711	Palo Alto	\$887,518
Bremer	\$1,933,308	Hardin	\$1,813,800	Plymouth	\$1,566,861
Buchanan	\$2,098,490	Harrison	\$1,520,987	Pocahontas	\$685,909
Buena Vista	\$3,075,093	Henry	\$1,783,492	Polk	\$49,263,094
Butler	\$1,360,917	Howard	\$889,444	Pottawattamie	\$10,420,634
Calhoun	\$799,623	Humboldt	\$1,352,480	Poweshiek	\$1,923,372
Carroll	\$2,426,634	Ida	\$578,907	Ringgold	\$194,058
Cass	\$1,295,603	Iowa	\$1,402,058	Sac	\$997,162
Cedar	\$1,676,868	Jackson	\$2,145,392	Scott	\$18,889,414
Cerro Gordo	\$7,205,856	Jasper	\$2,929,831	Shelby	\$964,096
Cherokee	\$1,239,492	Jefferson	\$1,185,866	Sioux	\$1,158,395
Chickasaw	\$1,241,855	Johnson	\$8,768,719	Story	\$5,412,278
Clarke	\$867,864	Jones	\$2,103,385	Tama	\$1,199,692
Clay	\$1,964,665	Keokuk	\$916,124	Taylor	\$498,889
Clayton	\$2,011,641	Kossuth	\$1,614,508	Union	\$1,468,595
Clinton	\$6,251,571	Lee	\$3,505,552	Van Buren	\$605,082
Crawford	\$1,765,125	Linn	\$23,200,171	Wapello	\$6,247,057
Dallas	\$3,974,746	Louisa	\$1,039,875	Warren	\$3,463,771
Davis	\$379,854	Lucas	\$880,469	Washington	\$2,098,291
Decatur	\$376,573	Lyon	\$432,367	Wayne	\$525,729
Delaware	\$1,518,922	Madison	\$1,250,134	Webster	\$6,498,661
Des Moines	\$3,903,399	Mahaska	\$2,137,541	Winnebago	\$1,197,852
Dickinson	\$2,411,537	Marion	\$3,043,179	Winneshiek	\$1,936,430
Dubuque	\$8,908,374	Marshall	\$4,291,789	Woodbury	\$8,675,758
Emmet	\$1,053,048	Mills	\$1,283,814	Worth	\$900,739
Fayette	\$2,082,757	Mitchell	\$1,185,017	Wright	\$2,064,608

Statement of Net Assets - June 30, 2012

Assets	
Current assets:	
Cash	\$31,862,494
Restricted assets - cash	308,364
Prepaid expense	15,357
Interest receivable	7,907
Accounts receivable, net	1,898,904
Ticket inventories	2,303,388
Investment in prize annuities	<u>1,426,029</u>
Total current assets	<u>37,822,443</u>
Noncurrent assets:	
Prize reserve	7,046,116
Investment in prize annuities	6,203,787
Capital assets, net	<u>3,696,952</u>
Total noncurrent assets	<u>16,946,855</u>
Total assets	<u>54,769,298</u>
Liabilities	
Current liabilities:	
Lotto prizes payable	2,712,402
Annuity prizes payable	1,426,029
Accounts payable and accruals	28,142,882
Interest payable	3,010
Bonds payable	100,000
Deferred revenue	178,725
Salary and benefits payable	254,726
Compensated absences	<u>680,744</u>
Total current liabilities	<u>33,498,518</u>
Long-term liabilities:	
Accounts payable and accruals	655,489
Prize reserve	7,046,116
Bonds payable	1,000,000
Compensated absences and OPEB	1,169,428
Annuity prizes payable	<u>6,203,787</u>
Total long-term liabilities	<u>16,074,820</u>
Total liabilities	<u>49,573,338</u>
Net Assets	
Invested in capital assets, net of related debt	2,596,952
Unrestricted	<u>2,599,008</u>
Total net assets	<u>\$5,195,960</u>

Financials

Statement of Revenues, Expenses and Changes in Net Assets - Year ended June 30, 2012

Operating revenues:	
Instant-scratch ticket sales	\$188,814,325
Pick 3 sales	6,743,717
Pick 4 sales	2,788,613
Powerball® sales	57,934,104
Mega Millions® sales	22,293,152
Hot Lotto® sales	10,525,347
\$100,000 Cash Game sales	4,314,098
Pull-tab sales	17,438,369
Application fees	4,075
Other	<u>212,884</u>
Total operating revenues	<u>311,068,684</u>
Operating expenses:	
Prizes:	
Scratch tickets	116,954,213
Pick 3	3,993,780
Pick 4	1,634,063
Powerball	28,287,777
Mega Millions	11,307,020
Hot Lotto	5,118,123
\$100,000 Cash Game	2,175,236
Pull-tab	10,912,790
Promotional	152,303
VIP Club prize expense	<u>1,907,142</u>
Total prizes	182,442,447
Retailer compensation	20,125,497
Advertising production and media purchases	6,603,456
Retailer lottery system/terminal communications	6,213,722
Instant/pull-tab ticket expense and machine maintenance	3,705,428
Terminal equipment/ticket dispensers	213,216
Courier delivery of tickets	108,581
Other operating expenses	<u>11,979,788</u>
Total operating expenses	<u>231,392,135</u>
Operating income	<u>79,676,549</u>
Non-operating revenue (expenses):	
Proceeds deposited to State General Fund	(76,012,455)
Proceeds deposited to Veteran's Trust Fund	(2,719,494)
Interest income	105,755
Interest expense	<u>(39,134)</u>
Net non-operating revenues (expenses)	<u>(78,665,328)</u>
Change in net assets	1,011,221
Net assets beginning of year	<u>4,184,739</u>
Net assets end of year	<u>\$5,195,960</u>

General Fund:

\$1,148,408,257 — Since 1992, a majority of lottery profits have been directed into the state general fund, where they are used to pay for programs that benefit all Iowans. In the Iowa Lottery’s latest fiscal year, the lottery raised \$76 million in proceeds that were deposited in the state general fund. Some of the programs that receive money from the general fund include education, natural resources, health and family services and public safety. The Governor and Iowa Legislature allocate money from the general fund based on where they believe those funds are needed most.

Iowa Plan: \$170,318,439

— The Iowa Plan was a long-term economic development program. It was divided into four basic areas: a Jobs Now program designed to put people to work; government construction programs; community and economic betterment; and educational and agricultural research. Lottery profits were dedicated to the Iowa Plan from fiscal year 1986 through fiscal year 1990.

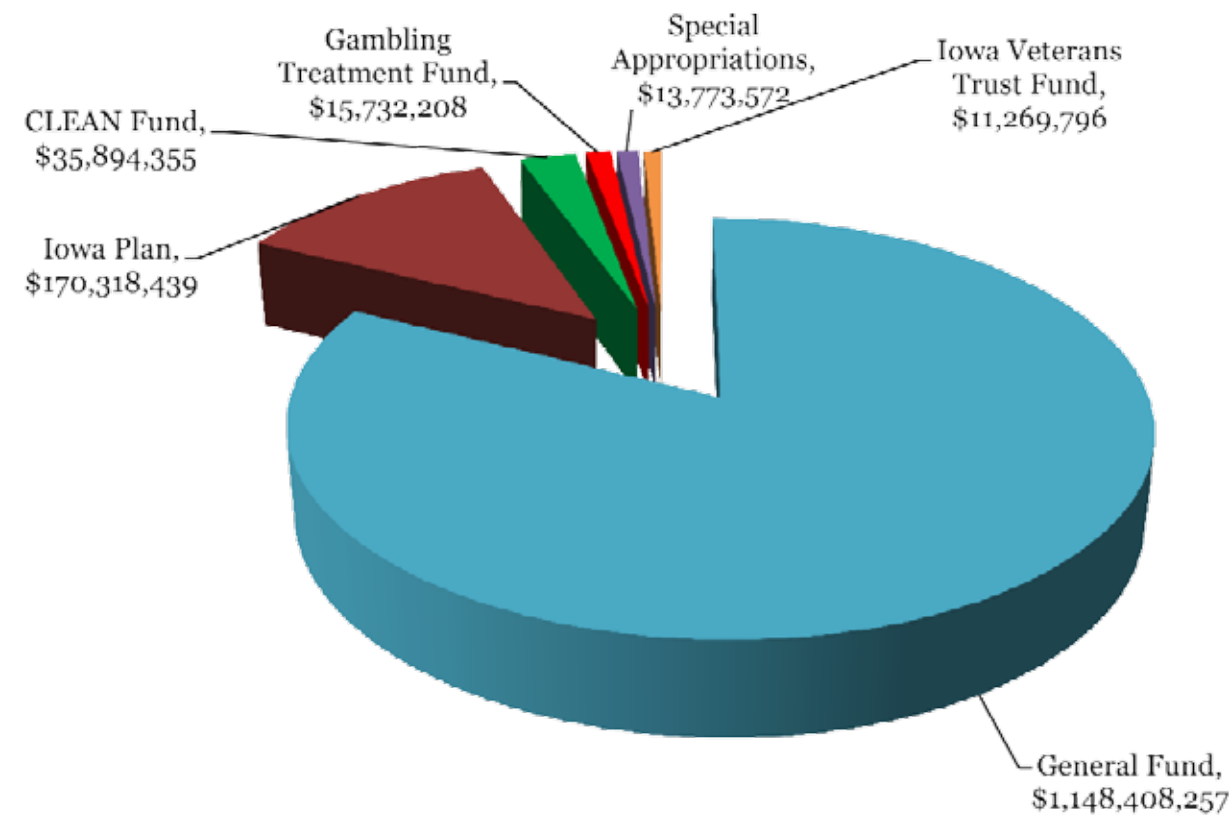
CLEAN Fund: \$35,894,355

— The CLEAN Fund stood for Committing the Lottery to Environment, Agriculture and Natural Resources. The program dedicated money to environmental and cultural causes. Lottery profits were dedicated to the CLEAN Fund during fiscal year 1991.

Backing For Vision Iowa

In addition to those direct uses of Lottery proceeds, lottery profits are also linked to the Vision Iowa program. Vision Iowa was implemented in 2000 to create tourism destinations in the state, assist with community attractions, and build and repair schools. Direct funding for Vision Iowa comes from gaming revenues. However, as the program was being initiated, investors indicated there was a need to strengthen the Vision Iowa bonds by dedicating \$20 million annually in lottery revenues as a backup.

Legislation was approved that dedicates \$15 million in lottery revenues to programs for community attractions in Iowa and another \$5 million to Vision Iowa programs to build and repair schools if gambling revenues don’t reach that amount. Lottery funding will continue to be linked to Vision Iowa over the 20-year payback period of the program’s bonds.



Iowa Gambling Treatment Fund:

\$15,732,208 — The Iowa Gambling Treatment Program provides treatment, counseling and outreach programs for those concerned about gambling as well as the 1-800-BETSOFF helpline. The Iowa Lottery is committed to responsible play and helps address the issue of problem gambling. Each year, the lottery provides the public with information about 1-800-BETSOFF by including messages about the helpline on millions of lottery tickets, brochures and point-of-sale materials as well as other publications. In 2009, the Gambling Treatment Fund was eliminated, with the Gambling Treatment Program now receiving its funding from the state General Fund.

Iowa Veterans Trust Fund \$11,269,796 — Since July 2008, a portion of lottery proceeds has been dedicated to the Iowa Veterans Trust Fund, where they are used to support our state’s veterans. The proceeds from two instant-scratch games and two pull-tab games each year are directed into the Iowa Veterans Trust Fund. The Iowa Lottery estimates that the games will provide about \$2 to \$3 million in proceeds annually for the Iowa Veterans Trust Fund. The Iowa Veterans Trust Fund was created to provide assistance to qualified veterans to help pay for expenses such as job training or college tuition assistance; some dental, vision and hearing assistance and individual or family counseling programs.

Special Appropriations: \$13,773,572 — A portion of lottery profits have been earmarked for specific purposes within the state budget.

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